

Chapter III BUDGET FORMULATION

Section 2 - Operating Unit Submissions to the Office of the Secretary

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Chapter III BUDGET FORMULATION

Section 2 - Operating Unit Submissions to the Office of the Secretary

A. Instructions

1. Introduction

The Secretarial budget and planning request should be a reflection of various priorities for the coming budget year and should be a product of early internal review and decision-making within a Bureau. This budget and planning request begins the budget cycle within the Department of Commerce and leads to subsequent requests: the OMB budget and planning request and the President's budget.

2. General Instructions

The Budget Justification request to the Secretary consists of narrative and quantitative exhibits designed to allow operating units to describe their resource needs. The Office of Budget requires 25 copies of the budget justifications. The materials which follow provide technical guidance and instructions for preparing the required exhibits and narratives.

The Bureau's Annual Performance Plan (APP) is submitted at the same time as the Secretarial Budget Justification. The Office of Budget provides standardized templates to the appropriate Bureaus each fiscal year. The Bureaus fill in the template with their respective planning information and provide a clear link to their budget requests. The Office of Budget requires 25 copies of the Bureau's APP. The materials which follow provide technical guidance and instructions for preparing the required APP chapter as found in the templates.

Budget amendments or proposals for supplemental funding for 20CY are prepared separately from the 20BY budget request to the Secretary.

3. Budget Justification

An operating unit's budget justification request to the Secretary is a link in a continuous process of financial resource management and decision-making. As such, the Office of the Secretary must be provided with a justification that is comprehensive and which conforms fully to the instructions contained in this section. Failure to provide the necessary information in the required format weakens the operating unit's request, and makes the Secretary's review of that request more difficult and thus more subject to denial. The resource estimates contained in the justification typically derive from those of previous years. All references to resource estimates for previous years must agree with the resource estimates that were developed during earlier budget processes.

- Except as noted below, estimates of 20PY and 20CY resources that the operating unit cites in its 20BY request to the Secretary agree with the amounts presented in the previous year's appendix to the President's budget and the amounts presented in the submission to the Congress (which, in turn, present the same amounts at all levels of detail).
- Amounts contained in the previous year's appendix to the President's budget and the submission to the Congress are adjusted only by the amounts of amendments and supplementals that have been submitted to the Congress or by amounts associated with Congressional action.
- This instruction applies to all references to estimates of 20PY and 20CY resources in the 20BY request and at all levels in the program budget/structure.

The following is a discussion of the exhibits required for the Secretarial request. A sample of these exhibits is provided behind the Exhibits tab. The exhibits demonstrate a typical Bureau request and amounts shown are consistent among exhibits. Shaded areas are for illustrative purposes only and are not included in totals. The Bureau summary materials consists of Exhibits 2, 3, and 4. The appropriation account materials begin with Exhibit 5, "Summary of Resource Requirements". Exhibits 10 through 15 appear consecutively for each subactivity. The materials should be prepared and assembled in the order identified below.

- a. **Table of Contents (Exhibit 1)** The table of contents is for the justification material. The materials are organized as displayed with separate sections for summary material, appropriation account material, and operating unit materials. Appropriation account material is shown separately by account. In the table of contents, subactivities are grouped by activity and page numbers are shown for each.

This exhibit, and all exhibits, should be labeled with the exhibit number in the upper right hand corner of the page.

- b. **Organization Chart (Exhibit 2)** This exhibit reflects the approved organizational structure at the time of the submission. If a change is proposed, two charts are required to show the current organization chart and the proposed structure.
- c. **Executive Summary (Exhibit 3)** This exhibit provides the Bureau with an opportunity to summarize their budget request in terms of Bureau priorities, Secretarial guidance and priorities, and Administration priorities. The summary includes the following headings: 1) General Statement; 2) Goals of the Program; 3) Statement of Objectives; 3) Summary of Proposed Changes. Bureaus must discuss their budget request in terms of the Department's Strategic Plan.

- d. **Summary of Performance Goals and Measures (Exhibit 3A)** This exhibit provides a summary of the Bureau's performance goals and associated measures and targets. Targets are displayed for the performance planning year through the the Budget Year + 4, and all previous fiscal years. Actual data are also displayed for all available fiscal years. (This exhibit matches the "Targets and Performance Summary" in the Bureau's Annual Performance Plan.)
- e. **Summary of Resource Requirements for Program Performance (Exhibit 3B)** This exhibit summarizes all resources available to the Bureau to achieve its stated goals and measures. The dollar figures represent obligations by performance goal. Funding amounts within each performance goal are further broken down by the Bureau's program accounts and activities as cited in the Budget in Brief. Information technology (IT) funding amounts and FTE amounts are also displayed for each performance goal. A grand total section summarizes all Bureau resources by account and activity, along with separate lines for direct, reimbursable, and IT funds, and FTE amounts. For each performance goal and the grand total section the budget year request is broken out into the following three columns: base, increase/decrease, and total request for the budget year. (This exhibit matches the "Resource Requirements Summary" in the Bureau's Annual Performance Plan.)
- f. **Priority Ranking of Program Changes (Exhibit 4)** Listed, in priority order, are program increases and decreases to the 20BY base for an operating unit. The highest priority change is ranked (1). If it is intended that a program increase in one area is to be offset by a decrease in another, the changes are ranked with the same priority number. The page number next to each item indicates the page where the detail of the program change begins in the Justification of Program and Performance (Exhibit 12). The activity, subactivity and item descriptors are those used in the justification. The ranking includes a total line for full-time equivalent employment, direct obligations and outlays.
- g. **Summary of Resource Requirements (Exhibit 5)** This schedule is included for each account in which direct obligations will occur in any year covered by the budget. It consists of two sections.
 - 1) The first section tracks FTE, positions, direct obligations, budget authority and appropriations from the 20CY President's budget to the Bureau's 20BY estimate. (For Bureaus with identical amounts for direct obligations, budget authority, and appropriations, the first section of the exhibit can be simplified to show only budget authority.) The section includes:

- The President's Budget, 20CY is the amount included in the President's 20CY budget, adjusted for any amendments which have been officially submitted to the Congress.
 - Adjustments-to-base (ATBs) include uncontrollable cost changes.
 - 20BY base is the 20CY President's budget plus adjustments-to-base.
 - 20BY program changes represent the net amount requested above or below the 20BY base.
 - 20BY estimate represents the resources requested for 20BY and is the total of the 20BY base plus the 20BY program changes.
- 2) The second section of the exhibit provides a comparison by activity. It summarizes by budget activity and subactivity the total FTE, positions, budget authority, and direct obligations related to the following columns:
- 20PY Estimate
 - 20CY President's Budget
 - 20BY Base
 - 20BY Estimate
 - Increase / (Decrease) over 20BY Base

Additionally, any adjustments such as transfers, financing from prior years, fee collections, etc., should be included in the Adjustments to Obligations section.

The detail by activity and subactivity should be identical to the 20CY President's budget appendix unless a restructuring is proposed and an Activity/Subactivity Change Crosswalk, Exhibits 18 for 20CY or for 20BY, are submitted or the Office of Budget has approved a variation from the appendix detail.

- h. **Summary of Reimbursable Obligations (Exhibit 6)** This exhibit displays reimbursable obligations in the same format as the comparison by activity section of Exhibit 5.
- i. **Summary of Financing (Exhibit 7)** This is the same format as the Adjustments to Obligations section of Exhibit 5 but with the addition of lines for reimbursables and other offsetting collections. If there are no offsetting collections this exhibit should be excluded.

Exhibit 7 shows the relationship between total direct obligations and the budget authority and appropriation requested for 20PY, 20CY President's budget, 20BY Base and 20BY estimate. The increase/(decrease) column will show the difference between the 20BY base and the 20BY estimate. The appropriation line reflects the effect of transfers.

This schedule is prepared on the assumption that all resources are expended in the year in which they become available, unless there has been a policy decision to the contrary or, in the case of the budget year, a proposal to the contrary.

Unobligated balances in 20CY and 20BY therefore, appear on this exhibit only as a result of policy decisions or budget year proposals.

- j. **Adjustments-to-Base (Exhibit 8)** This exhibit summarizes by item the budget authority and FTEs required for each adjustment-to-base (ATB). The ATBs are categorized by transfers, adjustments, financing, and other cost changes. A description of each of these categories is given in the next section. In order to qualify as an ATB, an increase or decrease must meet the following criteria:

- represent the cost of the same level of effort as in 20CY;
- result from actions outside the control of Bureau management;
- be supported by specific documentation that provides a basis for the estimates; and
- be known, not probable, cost adjustments (i.e., a request for an ATB for increases in per diem rates should not be requested unless GSA has published new rates with an effective date).

Each spring, the Department's Office of Budget, Budget Coordination and Reports Division (BCRD), will issue annual guidance to aid in the development of the ATBs for the budget year. Included will be economic assumptions, standard benefit contribution rates, and information regarding other adjustments.

- k. **Justification of Adjustments-to-Base (Exhibit 9)** This exhibit details and justifies the amounts requested on Exhibit 8. Assumptions about factors such as retirement plan participation rates, health insurance costs, and life insurance costs are consistent throughout the explanations.

In the next sections, the most common ATBs are discussed. The format of this material includes general guidance, followed by a sample standard narrative to be used by Bureaus.

In computing ATBs, Bureaus should use whole dollars to calculate all adjustments and round to thousands of dollars to determine the ATB. If a calculation comes out to exactly .5, round to the nearest even number. For example, 7.5 (or \$7,500) would be rounded to 8 (or \$8,000), while 6.5 would be rounded to 6. Calculated rates should be rounded to three decimal points, (i.e., .051 or 5.1%). Rates provided by external sources will not be rounded.

ATBs should be based on the object class distribution provided in the 20CY congressional budget. Requests for realignments must be submitted to and approved by BCRD in advance of the Secretarial budget submission. It is

suggested that Bureaus calculate standard ATBs using electronic spreadsheets (see Worksheets tab) available from BCRD. This will ensure consistency among all Bureaus and also facilitate the preparation and review of these cost changes. These worksheets should be submitted as backup to the request. Other ATB increases requested must be thoroughly justified as to why they are uncontrollable and include the supporting documentation used in developing the estimates.

i. Transfers - Justifications for transfers must identify the Bureaus and accounts involved in the transactions. They must also state the reason and the purpose of the transfer. Documentation implementing the transfer, such as a signed memorandum of understanding, should be forwarded as back-up.

Standard narratives: Pursuant to a memorandum of understanding dated January 2, 20PY, one FTE and \$31,000 will be transferred to Salaries and Expenses, General Administration, to provide support for the financial management system.

ii. Adjustments - Adjustments will include uncontrollable cost changes unique to specific Bureaus. Examples of ATBs in this category are non-recurring items requested in the 20BY budget and adjustments due to OMB action. One example of an OMB action that may require an ATB is a reduction to the 20CY request based on anticipated recoveries of prior year obligations. A Bureau may need to restore this reduction to the budget authority request to maintain the same program level.

Sample narratives: Funds of \$57,000 requested for 20CY data processing activities will not be required in 20BY.

In 20CY, the budget authority request was reduced by \$1,000,000 based on offsets from anticipated recoveries of prior year obligations in FY 20CY. This ATB would restore the reduction in FY 20BY, maintaining the approved program level.

iii. Financing - This category would identify financing of the proposed funding level from funds other than the general fund or a special fund. Examples are new fees and estimated 20BY recoveries of prior year obligations. These estimates would be reported as reductions to the requested budget authority.

Standard narrative: In 20BY, this Bureau expects to realize recoveries of prior year obligations of \$1.5 million. This amount will be used to offset the budget authority in 20BY.

iv. Other Changes

(a) Pay Raises - Bureaus should include the cost of annualization of 20CY pay raises.

Standard narrative: Full-year cost of the 20CY pay increase and related costs. The 20CY President's budget assumes a pay raise of 3.6% to be effective January 1, 20CY.

In addition, OMB Circular A-11 requires that estimates of 20BY pay raises in budget submissions be tied to the Employment Cost Index (ECI)-based national schedule adjustment and locality pay. The rates will be applied to the General Schedule, Foreign Service, Executive Schedule, the Senior Executive Service, and wage grade employees. These rates will be published by OMB and will be provided as part of the annual ATB guidance. Calculations of the pay raise may need revisions during the budget process based on revised OMB assumptions. The "A" Worksheets provide the format for computing pay raises.

Standard narrative: A general pay raise of 3.9% is assumed to be effective January 1, 20BY.

(b) Full-year cost in 20BY of positions financed for part-year in 20CY - Estimates for program changes that include additional personnel normally assume a delay in filling the new positions. That is, if a program increase requires four new people, cost estimates are based on the assumption that the four people will not start on October 1, 20BY, but on January 1, 20BY, due to the timing of the enactment of appropriations and personnel being hired and brought on-board. This would result in a 25% lower FTE usage in the initial year than subsequent years. The funding of this 25% increment in the second year is the annualization of the new positions and is treated as an ATB. The full-year amount is adjusted by a standard 5% lapse rate. Bureaus should also include an adjustment to salaries to reflect the 20BY pay raise. See Worksheet B for more specific instructions and back-up format.

Standard narrative: An increase of \$57,189 is required to fund the full-year cost in 20BY of positions financed for part-year in 20CY. The computation follows.

(c) Within-grade increases - Within-grade increases reflect the net cost of such increases that will be earned in 20BY. The salaries requested for within-grade increases reflect the amount of step increases scheduled less the amount that will not be earned because of turnover. The cost of step increases lost due to turnover also reflects the average step above step 1 of the personnel not receiving step increases because of separation. This average step should be based on data from personnel reports. Bureaus should compute a turnover rate based on 24 months of data (April 20PY-2 through March 20PY) obtained from the Monthly Report of

Federal Civilian Employment (Standard Form 113-A). See Worksheet C-1 for computing turnover rates.

Salaries used in the computations should reflect the 20BY pay rates. The gross estimated number of step increases should be based on data from personnel reports indicating next dates of eligibility for each employee. As an alternative, Bureaus may use a standard model (see Worksheet C2) to estimate the number of within-grade increases scheduled to be earned. Data used in this model may be obtained from personnel reports provided with the ATB annual guidance.

Cost increases for benefits are limited to those items which necessarily increase with a pay increase such as the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), Thrift Savings Plan (TSP), Old Age, Survivors and Disability Insurance (OASDI), Medicare and life insurance. Health benefit costs do not increase with pay, therefore, they should not be included in computations. Estimates for benefits should be based on 20BY rates. Worksheet C-3 provides the format for the calculation of this ATB.

For those Bureaus under pay banding, the average rate over the preceding five-year period of within-grade increases to total salaries will be used to calculate the 20BY ATB.

Standard narrative: An increase of \$31,975 is required to cover the cost of within-grade step increases.

(d) Changes in compensable days - Not all fiscal years have the same number of compensable days. When the budget year differs from the current year, the cost change would require an ATB. OMB circular A-11 includes a table with the number of compensable days over a seven-year period. (See the section on Estimating Employment Levels, Compensation, Benefits, and Related Costs.) The number of compensable days in FY 2004 is 262, one more than 2003. FY 2005 has 261; FYs 2006 and 2007 have 260. Therefore, ATBs for a change in compensable days will be requested for 2004, 2005, and 2006.

The ATB is calculated by dividing the applicable personnel compensation and benefits for the current year by the number of compensable days in that year. If in a future year, there should be a difference of two compensable days, the above result would be multiplied by two. Include in the calculation, costs that vary with the number of compensable days, such as salaries, retirement contributions, TSP, OASDI, Medicare, and life insurance. Exclude costs that do not vary with the number of compensable days, such as the cost of other personnel compensation (overtime, SES performance awards, cash awards, health benefits, and the Employees' Compensation Fund. Overtime may only be included if it is a

significant portion of personnel costs and is a continuing requirement for executing routine duties. See Worksheet D for format of calculations.

Standard narrative: The increased cost of one more compensable day in 20BY compared to 20CY is calculated by dividing the 20CY estimated personnel compensation (\$6,708,000) and applicable benefits (\$791,000) by 261 compensable days. The cost increase of one compensable day is \$28,732.

(e) Civil Service Retirement System (CSRS) - Prior to January 1, 1984, most employees were covered by CSRS. On that date, the Federal Employees' Retirement System was implemented covering all new employees. Hence, as new employees are hired, the number and percentage of employees under CSRS decline. The decreased cost of employer contributions for CSRS is treated as an ATB and is the difference between the estimated cost of such contributions in 20CY and 20BY. Estimates for both years are based on total salaries subject to retirement; the CSRS participation rates (percentage of such salaries under CSRS); and the employer contribution rates. Salaries subject to retirement will be based on estimates provided in the 20CY Congressional budget. The 20CY participation and contribution rates used in the calculations will be the percentages shown in the 20CY Congressional budget. For 20BY, OB will issue annual guidance providing the projected participation rates for each Bureau. The CSRS contribution rates are set by law and will be included in the annual ATB guidance.

Standard narrative: The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 62.5% in 20CY to 61.7% in 20BY for regular and foreign service employees and from 90.9% in 20CY to 82.8% in 20BY for law enforcement employees. Contribution rates will remain the same.

(f) Federal Employees' Retirement System (FERS) - This ATB reflects the increasing cost of employer contributions for the Federal Employees' Retirement System. The adjustment is the difference between the 20CY and 20BY costs of such contributions. Estimates for both years are based on the total salaries subject to retirement costs; the percentage of such salaries anticipated to be subject to FERS contributions; and the rate for employer contributions. Salaries subject to retirement will be based on estimates provided in the 20CY Congressional budget. The 20CY percentage subject to FERS is the percentage shown in the pending 20CY budget request. The 20BY percentage equals the participation rate developed by the OB and provided to Bureaus. The Office of Personnel Management (OPM) is required by law to maintain FERS on a fully-funded basis.

OPM uses periodic actuarial studies to determine funding levels necessary to maintain the viability of the system and adjusts contribution rates accordingly.

Standard narrative: The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 37.5% in 20CY to 38.3% in 20BY for regular and foreign service employees. The estimated percentage of payroll for law enforcement employees covered by FERS will increase from 9.1% in 20CY to 17.2% in 20BY. The contribution rate for regular employees will decrease from 13% in 20CY to 12.9% in 20BY. For foreign service employees, the contribution rate will increase from 21.86% in 20CY to 25.20% in 20 BY. The contribution rate for law enforcement employees will remain the same.

(g) Thrift Savings Plan (TSP) - Employees covered under CSRS and FERS may participate in TSP, a tax-deferred savings plan. CSRS employees may contribute to this plan at no cost to the Government. For FERS employees, the Government is required to contribute a minimum of 1% but no more than 5% of each employee's salary, determined by the amount of the employee's contribution. The exact percentage will vary based on each employee's contribution. Estimates of TSP are based on salaries subject to FERS retirement, FERS participation rates, and the Bureau's contribution rate. The first two factors will be based on the FERS computations (discussed in the above paragraph). For the contribution rate, 2% has been the standard rate used by most Bureaus. However, Bureaus may use actual payroll data to develop a more accurate rate, but must submit supporting documentation as back-up.

Standard narrative: The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.

(h) Old-Age, Survivors and Disability Insurance (OASDI). Estimates are based on the percentage of total salaries subject to FERS; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate. The percentage of total salaries subject to FERS will be based on the FERS ATB calculations. The salaries subject to OASDI contributions are capped each year by law. As the cap is raised, the relevant percentage increases. Bureaus will need to compute the percentage of salaries under FERS at or under the cap. The employer contribution rate will be included in the annual ATB guidance. The second part applies to those Bureaus having employees with salaries not subject to retirement contributions (i.e., temporary or intermittent employees). The estimate is based on the difference between total salaries and salaries subject to retirement contributions; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate.

Standard narrative: As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$82,800 in 20CY to \$87,750 in 20BY. The OASDI tax rate will remain 6.2% in 20BY.

(i) Health Insurance - Health insurance is an optional benefit. Employees can elect not to participate or can choose among a wide range of plans and coverages. The cost estimate of employer contributions for health insurance varies widely depending on the health plans chosen by employees. To develop the ATB for health insurance, Bureaus should compare the average health insurance cost per person before and after the annual rate increase in January. The percentage difference between the two would be applied to health costs reflected in the 20CY Congressional budget. See Worksheet E for format of computation.

Standard narrative: Effective January 20PY, this Bureau's contribution to Federal employees' health insurance premiums increased by 10.7%. Applied against the 20CY estimate of \$366,000, the additional amount required is \$39,162.

(j) Travel - When the General Services Administration (GSA) increases mileage and/or per diem rates, Bureaus should request the cost increases as ATBs. For mileage rate increases, the GSA rate increase would be applied against the mileage estimate in the 20CY Congressional budget to arrive at the ATB. ATB requests for per diem increases should be based on each Bureau's historical pattern of visited sites. The specific locations and the frequency of the trips should be considered. Based on these data, each Bureau would compute an average rate increase and apply it to the per diem estimate in the 20CY Congressional budget. See Worksheet F for the format of the per diem ATB computation.

Standard narratives: Effective September 20PY-1, the General Services Administration raised the mileage rate from 32.5 cents to 34.5 cents per mile, a 6.2% rate increase. This percentage was applied to the 20CY estimate of \$31,000 to arrive at an increase of \$1,922.

Effective January 20PY, the General Services Administration raised per diem rates. This increase results in a 3.9% increase to this Bureau. This percentage was applied to the 20CY estimate of \$117,000 to arrive at an increase of \$4,563.

(k) Rental Payments to GSA - Each spring or early summer, the Department receives rate packages for GSA-controlled space. These packages are forwarded to each Bureau's space management staff for determining GSA costs for 20BY. The packages include proposed 20BY GSA rates and current square footage of each Bureau's location. Based on these data, space management staffs develop base estimates for GSA rent. Budget staff should contact that office for the

estimated rent payment and request the increase or decrease over the 20CY estimate included in the 20CY Congressional request as an ATB.

If the estimates from this package are not prepared in time for inclusion in the Secretarial budget, Bureaus should use the interim average rate increase provided in the ATB guidance. However, this is only to be used until the estimates have been finalized using the GSA rate packages. At that time, Bureaus amend their requests to reflect the revised estimate.

After enactment of the 20CY appropriation and receipt of the OMB 20BY final allowance, rent estimates for both years may need revision. Budget and space management staffs should cooperate in developing the estimates for inclusion in the 20BY Congressional budget.

Standard narrative: GSA rates are projected to increase 2.9% in 20BY. This percentage was applied to the 20CY estimate of \$1,618,000 to arrive at an increase of \$46,922.

(l) Postage - When the Postal Service implements changes in postage rates, Bureaus should request the cost increases as ATBs. The rate increase would be applied against the postage estimate in the 20CY Congressional estimate to arrive at the ATB.

Standard narrative: Effective February 20PY, the Postal Service implemented a rate increase of 16%. This percentage was applied to the 20CY estimate of \$85,000 to arrive at an increase of \$13,600.

(m) GPO Printing - Annually, GPO provides an estimate of the rate increase of printing costs. Bureaus should apply this rate against the estimate included in the 20CY Congressional budget to compute the ATB.

Standard narrative: GPO has provided an estimated rate increase of 1.5%. This percentage was applied to the 20CY estimate of \$108,000 to arrive at an increase of \$1,620.

(n) Working Capital Fund, Departmental Management -Bureaus should not request an ATB for the Working Capital Fund in the Secretarial budget. OB will notify each Bureau of its allocation in either the initial or final ATB allowance memorandum.

(o) General Pricing Level Adjustment - Bureaus may apply the most recent OMB non-pay Federal deflator to the 20CY Congressional estimates for transportation of things, rental payments to others; communications, utilities, and miscellaneous

charges (excluding postage); other contractual services (excluding CAMS and WCF), supplies and materials, and equipment to cover increases due to inflation.

Standard narrative: This request applies OMB economic assumptions for FY 20BY to object classes where the prices the Government pays are established through the market system. Factors are applied to transportation of things,(\$0), rental payments to others (\$0), communications, utilities and miscellaneous charges (excluding postage) (\$1,314); other contractual services (\$77,184); supplies and materials (\$1,476) and equipment (\$4,914).

- l. **Program and Performance: Direct Obligations (Exhibit 10)** Only include if a Bureau has line items more detailed than in Exhibit 5. This schedule displays the direct obligations and full-time equivalent employment associated with the line items within each subactivity. Where header strips for each item in this exhibit and the next one are brief, they may be followed on the same page by the start of narrative information, to avoid wasting space.
- m. **Program and Performance: Reimbursable Obligations (Exhibit 11)** Only include if a Bureau has line items more detailed than in Exhibit 5. This schedule displays the reimbursable obligations and full-time equivalent employment associated with the line items within each subactivity.
- n. **Justification of Program and Performance (by subactivity), (Exhibit 12)** The justification covers every subactivity for which direct obligations will be incurred or FTE used in any year covered by the budget. Column headings will be identical to those found in the "Summary of Resource Requirements." The justification includes the following subjects, each under a separate heading. Each header is centered.

(i) Goal Statement - Each base program narrative begins with a brief statement of the subactivity's goals. The goal is a one or two sentence description that links to a specific measure of program impact previously described in the executive summary.

(ii) Base Program - The base program narratives describe each of the operating unit's subactivities in detail, and they provide a framework for assessing whether resources are being used efficiently and effectively. The program narratives provide supporting information about line items to further explain the work performed in each subactivity.

(iii) Statement of Operating Objectives - The next section presents the subactivity's objectives for the budget period. These objectives set targets for the specific work that will be performed in pursuit of policy objectives. They establish deadlines for achieving reorganizations, and they attempt to forecast

when the benefits will be obtained. They define the expectations for the benefits to be derived from new technologies and initiatives.

(iv) Explanation and Justification - This section describes the subactivity's operations and services. It briefly describes the work carried out within the line items. It reveals which of the operating unit's organizations participate in the subactivity's operations. It explains what they do. It describes the field structure of the organizations, the characteristics of the client population, or any other facts needed to explain the nature and amount of work performed within the subactivity. It identifies major trends or other forces that can be expected to influence the subactivity during the budget period.

This section also explains the relationship between the subactivity's work and the operating unit's program impacts. It cites any evidence that measures the benefits of the subactivity's work or the contribution its work makes to the mission of the operating unit. It lists any factors that impede the measurement of the work's benefits and contributions.

Finally, it explains any alternative means of achieving equivalent benefits. It indicates whether private sector alternatives to its operations exist. It also mentions any other government programs that provide similar or competing services. It describes why such alternative service delivery options are unsatisfactory.

(v) Proposed Legislation - The justification highlights all requirements for new authorizing legislation. Included are requirements for extension of existing legislation as well as any legislative proposals for lapse or repeal of existing legislation. A description of the proposed legislation should describe the new legislation in detail and justify the need for it. This section of the justification serves as the basis for the Departmental legislative package proposal.

(vi) Measures of Performance (all sources of funding) - This section forecasts changes in the level of services and operations of the subactivity. Its purpose is to illustrate trends in the level of the subactivity's work. It presents performance forecasts that compare to the performance level proposed in the previous President's budget. It contains supporting narrative necessary to define and explain the performance measures and is consistent with the Bureau's performance plan. The performance measures section of the base narrative should contain all performance measures associated with each subactivity line item.

- o. **Program Change for 20BY (Exhibit 13)** The program change exhibit and its accompanying narrative are designed to provide a Departmental analyst sufficient information to understand what the operating unit is proposing and to determine whether the change is justified. The program change exhibit describes and lists

substantive departures from the resource levels included in a subactivity's 20BY line item base. Program changes are defined as increases, decreases, or substantive changes without resource effects. The heading for this exhibit reads "Increase(s)," "Decrease(s)," or "Changes," as appropriate. The description of each change starts on a separate page.

The program change exhibit and narrative begin with a summary line that indicates the line item that would be affected by the program change. It also shows the affected line item's base resource level, the 20BY estimate that includes the effects of the change, and the incremental amount of the program increase or decrease. Following the base resources summary line, in a separate paragraph, is a summary description of the change with its short title underlined. (The short title is followed by the incremental amount of the change, in full-time equivalent employment and in dollars.)

Program Change Explanation and Justification - Following the summary description, if appropriate, describe specific components of the initiative and how the resources will be used. Do include a detailed discussion of past program performance and impact to current performance measures if funded. Especially important are those outcome oriented measures which indicate how the initiative impacts the economy (jobs, exports, etc.). Additionally, the initiative should also be put in the context of the Department's Strategic Plan by discussing which strategic themes and goals are supported. This discussion would be consistent with the Bureau's performance plan.

Performance Measures - Following the program change narrative is a table of the Bureau's performance measures impacted by the initiative. The table reflects the budget year and outyears. These performance measures must be consistent with the measures in the base narrative and in the Bureau's performance plan. If the Bureau is unable to determine how the initiative impacts current Bureau performance measures, the initiative may be subject to denial.

Costs - Following the Performance Measures table is a summary table of the program change's resource affects in the budget year and the outyears. All outyear resources are expressed in 20BY dollars. If appropriate, estimated cost increases for outyear changes are shown on the Outyear Bridge Table (Exhibit 21).

Resource requirements for program increases are sorted according to whether or not they are capitalized. Capitalized resources are defined as those used to acquire goods or services that will remain available beyond the fiscal year in which they are acquired or first placed in service, whichever is later. As a general rule, capitalized resources fall into three object classes, as defined by the Office of Management and Budget in Circular A-11: other services (25.0), equipment

(31.0), and land and structures (32.0). Not all resources in these object classes are necessarily capital resources, however. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, clarify the assumptions used to distinguish between capitalized and uncapitalized resources. For additional reporting requirements for requests for capital assets, refer to Chapter III, Section 1.

The summary table also displays the initiative's budget authority, outlays, and FTE in the budget year and the outyears. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, indicate those program change proposals where the life-cycle costs and benefits would not fully accrue during the period 20BY through 20BY+4. All such footnotes define the full life-cycle of the program change.

- p. **Program Change Personnel Detail (Exhibit 14)** This exhibit provides the basis for the estimate of personnel compensation for each program change requested. It includes the title and grade of each position and the number of positions requested for each. Salary figures reflect the 20CY rates at Step 1 of each grade for program increases. An adjustment for the 20BY pay raise to total salaries is shown on one line entry. For program decreases, the current grades and steps for all positions to be eliminated are shown.

For program decreases, a positive amount for benefits to former personnel is usually included when eliminated positions are not picked up elsewhere. Estimates for salaries for program increases assume that new positions are filled no sooner than the beginning of the second quarter of the year. Such estimates, therefore, reflect no more than 75 percent of the full year cost of new positions.

- q. **Program Change Detail by Object Class (Exhibit 15)** This exhibit shows the object class detail for each program change requested. The table includes all major object classes even if no funds are required for some.
- r. **Summary of Requirements by Object Class (Exhibit 16)** This exhibit is included for each account in which direct obligations will occur in any year covered by the budget. The Increase/(Decrease) column compares the 20BY Estimate to the 20BY Base. The total 20BY increase/decrease of all Exhibits 15 should equal the total increase/decrease column on the Summary of Requirements by Object Class, Exhibit 16. For more information on object classification, refer to OMB Circular A-11.
- s. **Detailed Requirements by Object Class (Exhibit 17)** This exhibit follows the same format as the Summary of Requirements by Object Class (Exhibit 16), but provides more detail for the object classes. If other detailed categories are necessary, they may be included. The level of detail in the sample exhibit is the

minimum level of detail required. For more information on object classification, refer to OMB Circular A-11.

t. **Activity/Subactivity Change Crosswalk (Part I - CY Structure) (Exhibit 18)**

If no changes are proposed to appropriation or activity structure, this exhibit is not required.

If a change to appropriation or activity structure is proposed, this exhibit should be included displaying the budget request in terms of 20CY's Presidential budget structure and the proposed new structure.

The crosswalk displays the 20BY total direct obligations request in the activity/subactivity structure from the 20CY Congressional justifications. It indicates the changes being proposed for 20BY and accounts for all subactivities. If no changes are proposed for a subactivity, it indicates "No change" under the "Proposed Changes" section of the table.

u. **Activity/Subactivity Change Crosswalk (Part II - BY Structure) (Exhibit 19)**

This crosswalk displays the activity/subactivity structure proposed for 20BY and redistributes total direct obligations amounts for 20PY-2 to 20BY in terms of the new structure. The amounts shown in the 20BY column reconcile to the changes proposed in Exhibit 18. The amounts shown in all Exhibits 19 reconcile to Exhibit 18.

v. **Summary of Outyear Changes Requested (Exhibit 20)** This table summarizes the requests for program changes and other adjustments in the budget year that will affect years 20BY+1 through 20BY+4. To ensure consistent starting points for the analysis and use of information in this table, it starts with a base program row, and includes rows for program changes; pay raises and estimated cost changes.

Program Changes - Listed here are annualization of 20BY program changes and other outyear program changes justified in the body of the narrative that involve changes in any of the years 20BY+1 through 20BY+4. Amounts are stated in terms of changes from the 20BY base. A program change which involves \$750,000 in 20BY and \$1 million in 20BY+1, for example, is shown here as \$1 million for 20BY+1.

Other Adjustments and Anticipated Cost Increases - Also listed and explained are all other adjustments. In addition, the table displays the anticipated cost increases that derive from calculations made in the Outyear Bridge Table (Exhibit 21).

- w. **Outyear Bridge Table (Exhibit 21)** This table is designed to demonstrate the effects of outyear changes and anticipated cost increases on total direct obligations and budget authority for 20BY+1 through 20BY+4.

Shown are all requests for program changes and other adjustments by the following categories:

- Pay-related - includes personnel compensation and benefits to current and former employees; Object classes 11, 12, and 13. It should also include annualization of 20BY program changes, adjusted for the pay raises for each year. Separately identified in this section are the pay raises based on the 20BY base.
- Grants - includes all forms of financial assistance to state and local governments. It does not include grants to or cooperative agreements with non-government entities (appropriate portions of object classes 25.0 or 41.0).
- Construction - This includes Federal construction programs, rental payments to GSA, and rental payments to others (object classes 23.1, 23.2 and the building construction portion of 32.0).
- Non-pay Federal Purchases - This includes all remaining obligations.

The totals for program changes and other adjustments are consistent with those provided in the table, "Summary of Outyear Changes Requested". Amounts on this exhibit, however, are stated in terms of changes from the 20BY request. A program change which involves \$750,000 in 20BY and \$1 million in 20BY+1, for example, is shown here as \$250,000 for 20BY+1.

Outyear pay raise calculations must be performed to complete this table. See worksheets A-1 thru A-6. Compare the summary page, A-6, to the pay raise sections of the outyear bridge table.

Anticipated cost increases are projected, normally on the basis of various measures of inflation provided by OMB. Inflation percentages are provided in the ATB guidance. Updated figures may be provided by OMB at the Mid-session Review. OMB Circular A-11 provides a further discussion of adjusting for anticipated cost increases on the basis of future inflation.

Since the body of the table displays direct obligations, "financing" here refers to resources other than offsetting collections. "Financing" represents the difference between direct obligations and budget authority, for example, recoveries, transfers of budget authority or budget authority carried forward.

- x. **Outlay Analysis Table (Exhibit 22)** This table provides outlay data for each account in which there are planned or actual outlays in any of the years 20PY

through 20BY+4. Normally outlays for an account are projected on the basis of a single set of estimates of the rate at which funds will be outlaid for obligations. These estimates normally take the form of the percentages of a year's obligations for which funds will be outlaid in that year and each succeeding year. These percentages are often referred to as "spendout rates" and should be rounded to the nearest whole number. In cases, however, where programs within a single account have distinctly different spendout rates, such rates are used for projections and the standard table is modified accordingly.

In computing outlay spendout rates, Bureaus should consider the various lengths of time to liquidate different classes of obligations. For example, where payroll obligations are 95% outlaid in the year of obligation, construction obligations could take several years to be liquidated. Therefore, each Bureau should review their different sources of outlays in developing overall spendout rates. As follow-up, estimated outlays should be checked against actual outlays periodically to test their validity. For one-year accounts, a good source is the Treasury Annual Report which details the outlays made during the current year by the fiscal year in which the obligation was made. For no-year accounts, Bureaus will have to rely on internal financial reports for verifying the spendout rates.

Resources Available for Outlay - This column shows all resources available to be outlaid. These resources consist of obligated balances at the start of 20PY and estimated obligations for 20PY - 20BY+4.

For selected revolving funds, where net obligations would be a negative number, the table should use gross obligations to calculate gross outlays and include a line for subtracting the absolute value of offsetting collections to arrive at net outlays. Exhibit 22 (Alternate) provides the format to use for these funds.

Outlays - The spendout rates used are consistent with the 20CY President's budget. If different spendout rates are used, a narrative explanation is provided on a separate page following the outlay table. An explanation is also provided if spendout rates vary from year to year. Some reasons for proposing changes in spendout rates include one-time programmatic events or a consistent variance in the past between actual and estimated outlays.

The total outlays shown in the last column equal the resources available for outlay for each year unless the projected spendout exceeds the number of years available on the table.

If outlay estimates for 20PY and 20CY do not agree with the figures from the 20CY President's budget, an explanation is provided on a separate page.

- y. **Appropriations Requiring Authorizing Legislation (Exhibit 29)** Listed are all legislative proposals by appropriation and activity required to support the request. Provided are the page number of the justification where the program is discussed, the existing legal authority, the expiration date, and the amounts related to the budget request. Legislative proposals are identified as belonging to one of three categories:
- extension of expiring legislation;
 - new programs;
 - authorizations proposed for lapse or repeal; and
 - extension of funding authorizations.
- z. **Presentation, Paper Size, Printing, Electronic Submission** Twenty five copies of the budget justification are required by the Budget Coordination and Reports Division of the Office of Budget for distribution within the office and to senior officials.

Presentation All narrative materials are typed single spaced in accordance with the formats provided in the exhibits. The material is be clear and sharp in order to make good clear copies and contains no penciled additions, deletions or corrections. The Summary of Resource Requirements is printed on salmon-colored paper.

Paper Size All narratives and exhibits are printed in landscape mode on 8 ½ by 11 inch paper.

Exhibit and Page Numbering Each exhibit is numbered according to the established Department of Commerce convention, with "Exhibit XX" shown in the upper right hand corner of the exhibit's first page. Page numbers are preceded by the agency designations shown below. All pages are numbered consecutively within each agency. Page numbers appear in the lower right hand corner. Any changes or corrections made in the pages after the initial submission to the Department are marked "Revised" and dated. For example: DM-1 Revised 06-18-02.

Agency Designations

| | |
|---|------|
| Departmental Management | DM |
| Office of the Inspector General | OIG |
| Economic Development Administration | EDA |
| Bureau of the Census | CEN |
| Economic and Statistical Analysis | ESA |
| International Trade Administration | ITA |
| Bureau of Industry and Security | BIS |
| Minority Business Development Agency | MBDA |
| National Oceanic and Atmospheric Administration | NOAA |

| | |
|---|------|
| Patent and Trademark Office | PTO |
| Technology Administration | TA |
| National Institute of Standards and Technology | NIST |
| National Technical Information Service | NTIS |
| National Telecommunications and Information Administration | NTIA |

Printing The following instructions are included on the CD-10:

- Three-hole punch
- 3/8" drill to be used
- 4-1/4" center to center
- To be centered on page
- Outside holes to be 1/4 inches from center of hole to edge of paper
- Do not staple
- Print on both sides

A sample for punching is normally attached to the CD-10.

Electronic Submission The Office of Budget may provide electronic formats for Bureau use in submitting budget exhibits. Additionally, specific direction may be provided for Bureaus to submit their entire justifications electronically.

4. **Annual Performance Plan & Annual Program Performance Report**

The Office of Budget oversees the development of all documents required by Government Performance and Results Act (GPRA). These documents include Annual Program Performance Reports (APPRs), Annual Performance Plans (APPs), and Strategic Plans.

In past years, the Department has combined the APPR and APP. The Reports Consolidation Act of 2000 requires the combining of the Department's Accountability Report with the Annual Program Performance Report. The Office of Budget will coordinate this effort with the Office of Financial Management and inform the Bureaus of schedule deadlines and requirements. OMB intends to maintain the APPR/APP combination. The Office of Budget will inform the Bureaus of schedule deadlines and requirements for this document as well.

The APPR/APP is organized by Bureau chapters. In order to standardize the presentation and content among the Bureaus chapters, a standardized template is used. This template outlines what sections each Bureau chapter must contain. The Office of Budget provides the templates to the appropriate Bureaus each fiscal year. The Bureaus fill in the template with their respective information and submit their chapter with their budget justifications, to the Office of Budget at each stage in the budget process (Secretarial, OMB, Congressional). The Bureau chapters contain the following standard sections:

- a. **Mission Statement** Broadly states what the Bureau seeks to accomplish. For example the Census Bureau's mission statement is "To be the preeminent collector and provider of data about the people and economy of the United States".
- b. **Introduction** Describes what the Bureau does. This may include discussing what products the Bureau produces and how they are used or who the Bureau assists. This section should address the public benefits provided by the Bureau.
- c. **President's Management Agenda** An overall, general description of Bureau-specific efforts to support the agenda, followed by specific discussions under the following five subsections:
 - Strategic Human Capital
 - Competitive Sourcing
 - Improved Financial Performance
 - E-government
 - Budget and Performance Integration (Characterize how FY 2004 reflects greater integration and generally describe Bureau efforts to improve performance goals and measures.)
- d. **Performance Results** Describes overall Bureau performance during the program reporting year. The Bureau should discuss results in terms of performance goals as much as possible and provide a summary of how well the Bureau performed. Significant failures to meet goals should be addressed along with a discussion of how those failures will be dealt with in the current and planning years.
- e. **Priorities/Management Challenges** Describes the Bureau's major priorities for the respective budget year associated with the Annual Performance Plan and budget request. This section should also address any management challenges encountered during the performance reporting year and how these challenges will be addressed. Additionally, this section should cover any management challenges that the Bureau expects to encounter in coming years and how it plans to address those challenges.
- f. **Program Changes** Describes the Bureau's requested budgetary increases for the performance planning year as would be stated in a Budget in Brief (see the FY 2001 APPR/FY 2003 APP for example of this section). This section should explain how each initiative will impact specific performance measures detailed later in the chapter.
- g. **Targets and Performance Summary** A table displaying and summarizing all of the Bureau's performance goals and associated measures and targets. Targets are displayed for the performance planning year and all previous fiscal years. Actual data are also displayed for all available fiscal years. The FY 2004 APP

will be the first plan to include four years of actual data (FY 1999-FY 2002) with associated targets, along with targets for FY 2003 and FY 2004 through FY 2008.

- h. **Resource Requirements Summary** A table displaying all resources available to the Bureau to achieve its stated goals and measures. These dollar figures represent obligations by performance goal. Funding amounts within each performance goal are further broken down by the Bureau's program accounts and activities as cited in the Budget in Brief. Information technology (IT) funding amounts and FTE amounts are also displayed for each performance goal. A grand total section summarizes all Bureau resources by account and activity, along with separate lines for direct, reimbursable, and IT funds, and FTE amounts. For each performance goal and the grand total section the budget year request is broken out into the following three columns: base, increase/decrease, and total request for the budget year.
- i. **Skill Summary** Describes the skills the Bureau requires in order to achieve its mission and performance goals. Skills include the expertise of specific occupations (i.e. economists, accountants, statisticians) or for personnel with specialized knowledge of certain laws or regulations (i.e. knowledge of international and domestic trade laws and regulations).
- j. **IT Requirements** Describes the information technology needed by the Bureau to achieve its performance goals. These can be specific IT systems that are currently used in the collection and processing of the performance data or broadly reference types of IT systems or technologies (i.e. management information systems or developing integrated public information dissemination technologies).

Following the general information sections described above, Bureaus must provide detailed information about each performance goal and their associated performance measures. For each performance goal, the following sections are required:

- k. **Performance Goal # (insert name of performance goal)** Performance goals are numbered and displayed after the number of the performance goal. These should correspond to the "Targets and Performance Summary" table described above. If the goal has been reworded from the previous APPR/APP then that is noted below the goal in the following manner: (This goal has been reworded since the publication of the [insert name of previous APPR/APP]. The goal was previously worded as...)
- l. **Corresponding Strategic Goal** The strategic goal as listed in the DOC Strategic Plan for the respective Bureau. The Bureau's performance goals must support the Department's strategic goals. The strategic goals cited in this section must correspond to the Departments currently published Strategic Plan.

- m. **Rationale for Performance Goal** Describes the fundamental reason or basis of the respective performance goal. How does the goal represent a major activity of the Bureau? Discuss the relevance of the goal in relation to the Bureaus work. Two sub-sections are included in this section:

Results: Discuss the results associated with the performance goal. What was achieved or not achieved and why was it not achieved?

Plans: Discuss any changes to the performance goal from the previous performance plan and the associated reason(s) for the change.

After the rationale for the performance goal, the individual measures associated with the performance goal are cited as follows:

- n. **Measure #(letter) (insert name of measure)** Measures are numbered with a sub-letter (i.e. Measure 1a). These should correspond to the "Targets and Performance Summary" table described above. If the measure has been reworded from the previous APP then that is noted below the name of the measure in the following manner: (This measure has been reworded since the publication of the [insert name of previous APPR/APP]. The measure was previously worded as...)
- o. **Data Table** After the above, a data table displays the measure's targets for the performance plan year and all previous fiscal years. Actual data for all available fiscal years are also provided in this table with associated cells identifying whether targets were met or not met. The FY 2004 APP will be the first plan to include four years of actual data (FY 1999-FY 2002) with associated targets, along with targets for FY 2003 and FY 2004 (targets for FY 2005 - 2008 are not required in this section). If the measure is a new measure in the performance plan year, prior year targets may only be displayed for one previous fiscal year. If available, Bureaus are encouraged to provide actuals for prior years associated with new measures.
- p. **Data Validation and Verification** Describes the means used to verify and validate the measured values of performance. This is displayed as a box with the following sections:

Data Source: Where the data are obtained

Frequency: How often the data are collected

Data Storage: Where the data are stored

Verification: Describes how the Bureau is verifying the data for completeness and accuracy

Data Limitations: Describes what may impact the data from being complete and reliable

Actions Taken: Describes the steps being taken to address any data limitations

- q. **Graph** A graph of the data associated with the measure may or may not be displayed, as appropriate, beside the Data Validation and Verification section. The graph shows the targets and actuals, as appropriate for multiple fiscal years. This provides a simple visualization of any data trend.
- r. **Explanation of Measure** Describe the performance measure. What is being measured and why is it being measured. The Explanation of Measure section also contains the following two subsections:

FY Program Performance: Explain if the reporting year target was met or not met. If the target was not met, explain why it was not met and what actions are being taken to ensure the target will be met in future years. If the target was exceeded significantly, please explain why this occurred. Any other discussion related to program performance is appropriate for this section.

FY Performance Plan Targets: Discuss any changes to the performance plan fiscal year targets from the previous performance plan. Reasons for changes to the performance plan targets must be explained thoroughly and have a sound basis (i.e. impact of final budget or impact of program performance discussed in the above section). Please provide the basis or reason for setting the performance plan targets. A discussion that provides some context for the new target is needed. If this is a new performance measure, in addition to the performance plan target, please provide a previous fiscal year target with the appropriate basis or reason. Also, if this is a new performance measure with a target based on "historical performance," please provide the historical data for the previous fiscal years.

- s. **Program Evaluation** Include a summary of the findings and recommendations of the program evaluations completed pertaining to the performance goal. Program evaluations may cover assessments of the manner and extent to which programs achieve intended objectives, assessments of program implementation policies, practices and processes, or summarized findings and recommendations from other analyses or studies completed during the previous fiscal year. It should also be noted if no evaluations were completed and why.
- t. **Discontinued Measures** List those measures that are being discontinued either starting in the next fiscal year after the program reporting year or in the performance plan year. Please explain why the measure is being discontinued.

As with the above sections for measures associated with the performance plan year, discontinued performance measures include the following:

Name of discontinued measure

Table associated with discontinued measure. Insert "Discontinued" either in the next fiscal year column after the program reporting year or in the performance plan year column, as appropriate.

Data Validation and Verification

Explanation of Measure: Include information cited above, however, omit discussion of future targets.

- u. **Cross-cutting Activities** As appropriate, list and describe specific activities that are being undertaken pertaining to the performance goal for the following sub-sections:

Intra-Department of Commerce: Activities that are being undertaken with other DOC Bureaus. (i.e., ITA works with the Bureau of Census "to fund reimbursable agreements to produce customized e-commerce statistics and collaborate on the development of methodologies to generate data on e-commerce services exports.")

Other Government Agencies: Activities undertaken with other government agencies. (i.e. The Bureau of Industry and Security works with the Departments of State, Defense, Energy, Treasury and Justice and the Central Intelligence Agency to develop and implement U.S. export control policy and programs including reviewing license applications, and developing encryption policy.)

Private Sector: Activities undertaken with the private sector. (i.e. Bureau of Industry and Security works with the American Chemistry Council and the Society of Chemical Manufacturers of America to negotiate controls and policies that conform the Chemical Weapons Convention while also protecting the valid concerns and interests of U.S. industry.)

- v. **External Factors and Mitigation Strategies** Describe any external factors that may impact achieving the performance goal and any strategies the Bureau intends to pursue to address those factors.

For example the Minority Business Development Agency (MBDA) discusses the following:

"By FY 2003, 40% of MBDA's workforce will be eligible for retirement, which could create a significant exodus of skills. MBDA will mitigate this factor by engaging in an extensive training and recruitment program focusing in the areas where employees will be retiring."

- w. **Discontinued Performance Goal (insert name of goal)** As appropriate, insert this section after the last APP performance goal section. This section denotes

those performance goals and associated measures being discontinued in the performance plan fiscal year.

Rationale for Discontinuing Performance Goal: Explain why the performance goal is being discontinued. After the explanation, list the associated measures that are discontinued as a result of discontinuing the performance goal in the performance plan fiscal year.

Each measure listed should contain the same sections as discussed in the above discontinued measures section.

- x. **Electronic Submission** The Office of Budget provides electronic template formats for Bureau use in submitting annual performance plans and reports. Additionally, specific direction will be provided for Bureaus to submit their entire plans/reports electronically.

B. Internal Department Review

The purposes of this phase of budget formulation are to refine operating unit budget and planning requests, to assist the Secretary and other Departmental officials in making critical judgments, and to produce realistic and sound decisions about the Department's Budget year plans and OMB budget and planning requests. Specifically, this phase is intended to:

- provide an independent review of requests and performance plans , including consistency with guidance; handling of major issues; and technical factors such as the basis for estimated data, completeness of underlying planning efforts, pricing assumptions, and validity of requests for ATBs;
- help operating units refine and strengthen the arguments and justifications presented in budget submissions and performance plans;
- assist the Secretary and other Departmental officials in shaping the Department's budget, and future course, in light of major objectives and issues, the plans of individual operating units and program areas, and the overall budget and planning targets and guidelines set by the President; and
- produce realistic, sound decisions and supporting justifications through systematic discussion and negotiation of differences in positions, and summarization of various review materials to focus on critical Secretarial choices.

The review of budget and planning requests is conducted between the receipt of budget and planning submissions and submission of the Departmental request to OMB.

The Office of Budget reviews budget and planning requests with the objective of settling as many issues as possible and developing further analyses and documentation of issues warranting attention by higher levels of Departmental management. Program reviews are conducted by staff

in either the Technology and Environment Programs Division or the Trade and Information Programs Division in association with staff from the Systems and Policy Division. A concurrent technical review (i.e., adjustments-to-base and conformance with technical guidance) is conducted by the Budget Coordination and Reports Division (BCRD). Specific areas of focus include:

- clarifying information submitted in the requests;
- obtaining supplementary information where needed to understand fully the requests;
- evaluating agency rankings of changes for consistency with Departmental policy; and
- identifying policy issues that may need to be resolved at higher levels.

1. **Programmatic Review**

The Office of Budget furnishes operating unit budget officers with specific written questions and data requests that should be resolved before recommendations can be made to the Secretary. Budget officers consult with program staff, as appropriate, in completing written responses to all questions within the time schedules communicated by the Office of Budget analysts and memoranda from the Director, Office of Budget.

The written questions are supplemented by staff reviews. Staff reviews are meetings conducted at each agency between Office of Budget staff and operating unit program staff. Bureau budget officers and budget staff should attend these meetings since they are responsible for assuring that all follow-up information requested is forwarded to the Office of Budget.

Departmental staff offices such as the Office of the Chief Information Officer or the Office of Financial Management may participate in staff reviews when the budget request includes significant changes in resource requirements in their areas of responsibility.

It is expected that the staff reviews will resolve most non-policy questions and will refine and clarify significant policy questions for review and decision-making at higher levels.

The Office of Budget prepares an analysis and evaluation of the budget and planning request, including unresolved questions, after completion of the staff reviews. This material is used as the basis for recommendations presented to the Chief Financial Officer / Assistant Secretary for Administration and then to the Deputy Secretary.

2. **Technical Review**

BCRD conducts a technical review of budget requests concurrently with the programmatic review. This review verifies requested ATBs, outlay estimates, employment estimates and long-range estimates for the four years following the budget year.

The ATB review is conducted with the primary goal of treating all such requests equitably among all operating units. Though the annual guidance provides extensive standardized methods and guidelines for developing ATB requests, other information becomes available after the requests are received. For example, appropriate adjustments for the Employees' Compensation Fund and printing costs are not available until mid-summer. Therefore, BCRD usually develops standardized allowances for such adjustments which are applied to all operating units. The Director of the Office of Budget reviews the staff recommendations for ATBs. After approval of the recommendations, BCRD sends an "Initial Allowance for 20BY Adjustments-to-Base" memorandum to each operating unit budget officer. The memorandum explains the basis for any differences from the requested amounts and, in some cases, specifies what additional information would be needed to support an ATB appeal. Operating units submit written ATB appeals to BCRD. The results of this second review are communicated in a "Final Allowance for 20BY Adjustments-to-Base" memorandum. Amounts in the final allowance are not appealable.

BCRD also maintains control numbers during all phases of the budget process, including the Secretarial phase. Requests and recommendations are scored based on the guidelines shown in the OMB Circular A-11.

C. Secretary's Initial Allowance

A series of steps occurs after the Office of Budget program analysts complete their review of budget proposals and before heads of operating units receive the Deputy Secretary's initial decisions. Each step is designed to assure that all proposals have been considered equitably and that any proposals included in the request to OMB are consistent with the Department's other programs and the Administration's overall policy guidance.

The Director, Office of Budget, meets with the BCRD Chief to review staff recommendations for allowances for ATBs. ATB allowances are summarized for the Assistant Secretary. Higher level consideration of ATBS takes place on an exception basis. The Director also meets with each analyst to review each Bureau's budget and planning request and alternative courses of action developed by the analyst. The Office of Budget's proposals are then reviewed by the Assistant Secretary, who may request that additional information or supporting materials be prepared prior to formal budget meetings with the Deputy Secretary. The Assistant Secretary review provides additional insight into policy considerations related to budget proposals.

The Office of Budget then prepares materials for formal budget and planning briefings for the Deputy Secretary and immediate staff. Each operating unit's budget and performance plan is considered in a separate meeting. Office of Budget staff present the budget request and associated performance plan, the operating unit's rationale for all proposed changes from the base, and alternative courses of action as approved by the Assistant Secretary. The Deputy Secretary makes budget and planning decisions after review of all requests and plans, and receipt of all responses to requests for additional information. The Deputy Secretary then meets with the Assistant Secretary and Office of Budget staff to communicate the initial decisions on all

requests and plans. The Office of Budget prepares, for the Deputy Secretary's signature, separate memoranda to each Bureau head which discusses each item where the Deputy Secretary's passback decisions differ from the request and provides a time frame for appeals. Supplemental tables attached to the memorandum detail the resource requirements included in the initial decisions. The format for these supplemental tables varies from year to year, but are designed to assist operating units in tracking, by line item, the differences between their request and the initial allowance.

D. Appeals and Final Secretary Decisions

Each memorandum from the Deputy Secretary to the head of the operating unit includes, with a discussion of the policy reasons for the initial decisions, a time schedule and format for submission of appeals. Appeals must be presented in writing and listed in priority order. The Office of Budget prepares a standard format for Bureau use in preparing these written appeals. It is recommended that all appeals for increases include offsets to the Secretary's allowance in order to accommodate items appealed. The Secretary and/or Deputy Secretary set aside a block of time (generally 3-5 days) during which appeal meetings can be scheduled. The appeal meetings usually begin 1-2 days after the memorandum is sent.

Appeal materials are addressed to the Secretary and submitted to the Assistant Secretary in accordance with the schedule specified in the Deputy Secretary's memorandum. The Office of Budget gathers appeal materials and prepares summary analyses for the Assistant Secretary and the Deputy Secretary. The Assistant Secretary discusses appeals with the Deputy Secretary and/or the Secretary. When the final decisions are made, the Office of Budget prepares letters to each operating unit head for the Secretary's signature. Final decisions of the Secretary cannot be appealed.